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## **LINCOLN PARISH SALES AND USE TAX COMMISSION**

**Basic Financial Statements  
For the Year Ended June 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-8-04

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2004**

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TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis-----	1-2
Independent Auditors' Report -----	3
Statement of Fiduciary Net Assets-----	4
Statement of Changes in Fiduciary Net Assets-----	5
Notes to Financial Statements -----	6-9
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards -----	10-11

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2004**

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The Management's Discussion and Analysis of the Lincoln Parish Sales And Use Tax Commission's (The Commission) financial performance presents a narrative overview and analysis of Lincoln Parish Sales And Use Tax Commission's financial activities for the year ended June 30, 2004. The document focuses on the current year's activities, resulting changes, and currently known facts within the context of the accompanying basic financial statements and disclosures.

**FINANCIAL HIGHLIGHTS**

The Commission remitted \$29,072,600 in taxes to its member agencies for the fiscal year ended June 30, 2004. This figure includes \$6,910,613 relating to settlement of a lawsuit over taxability of certain items. This suit had been pending for several years.

Operating expenses were approximately .67% of tax collections for the fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments engaged in fiduciary activities, established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and analysis-for State and Local Governments.

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

The basic financial statements present information for the Commission as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Fiduciary Net Assets – Modified Cash Basis, and the Statement of Changes in Fiduciary Net Assets – Modified Cash Basis.

The notes provide additional information that is essential to a full understanding of the basic financial statements.

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2004**

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**CONTACTING THE COMMISSION'S MANAGEMENT**

This financial report is designed to provide a general overview of the Lincoln Parish Sales and Use Tax Commission's fiduciary activities. If you have questions about this report or need additional financial information, contact Jerry W. Moore, Administrator, at (318) 251-8624.

# Warren & Brewer

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Lincoln Parish Sales and Use Tax Commission  
Ruston, Louisiana

We have audited the accompanying basic financial statements of the Lincoln Parish Sales and Use Tax Commission as of June 30, 2004, and for the year then ended. These financial statements are the responsibility of the Lincoln Parish Sales and Use Tax Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Lincoln Parish Sales and Use Tax Commission prepares its financial statements on the modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

As described in Note 1, The Lincoln Parish Sales and Use Tax Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Parish Sales and Use Tax Commission as of June 30, 2004, and the changes in its undistributed balances for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2004, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read with this report in considering the results of our audit.

Warren & Brewer CPAs APAC

October 29, 2004  
Ruston, Louisiana

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Statement of Fiduciary Net Assets - Modified Cash Basis**  
**June 30, 2004**

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**ASSETS**

Cash	\$	127,055
<b>Total Assets</b>		<u>127,055</u>

**LIABILITIES AND NET ASSETS**

Accounts Payable and undistributed funds		6,668
Due to other agencies - interest income held for future distribution to:		
City of Ruston		1,493
Lincoln Parish Police Jury		826
Lincoln Parish School Board		2,107
City of Grambling		55
Town of Dubach		9
Village of Choudrant		8
Ruston/Lincoln Convention & Visitors Bureau		32
Taxes and interest held in protest		<u>115,857</u>
<b>Total Liabilities</b>		<u>127,055</u>
 Net Assets		 <u>-</u>
 Total Net Assets		 -
 <b>Total Liabilities and Net Assets</b>	 \$	 <u>127,055</u>

The accompanying notes are an integral part of these financial statements.

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Statement of Changes in Fiduciary Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2004**

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Additions:

Sales and use tax	\$	28,812,668
Hotel/Motel tax		202,900
Excise tax		2,053
Sales and use tax audits		294,385
Audits paid under protest		115,276
Audit fees collected		55,008
Reimbursement for operating expenses		192,327
Legal fees and court costs collected		8,601
Miscellaneous		2,137
Interest received		6,544
<b>Total Additions</b>		<u>29,691,899</u>

Distributions:

City of Ruston		9,584,262
Lincoln Parish Police Jury		5,302,432
Lincoln Parish School Board		13,523,434
City of Grambling		353,321
Town of Dubach		56,953
Village of Choudrant		49,243
Ruston/Lincoln Convention & Visitors Bureau		202,955
<b>Total Distributions</b>		<u>29,072,600</u>

Other Disbursements:

Operating expenses		198,740
Audit fees		56,088
Legal fees		4,153
Refunds, bank service charges, and other		244,057
<b>Total Other Disbursements</b>		<u>503,038</u>

**Additions less distributions and other disbursements** 116,261

**Undistributed balances at beginning of year** 10,794

**Undistributed balances at end of year** \$ 127,055

The accompanying notes are an integral part of these financial statements.

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Notes To Financial Statements**  
**June 30, 2004**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lincoln-Ruston Sales and Use Tax Division was created as a joint venture of the City of Ruston and Lincoln Parish School Board in 1967 to serve as an agency for the collection of sales and use taxes levied by the two taxing authorities. In 1975, the Lincoln Parish Police Jury became a participant in the venture. In 1992, the City of Grambling and the Town of Dubach became participating agencies in this venture. The Lincoln Parish Sales and Use Tax Commission (the Commission) was then created in December 1993. The Village of Choudrant became a participant in 2003.

The Cooperative Endeavor Agreement authorizes the Commission as the single tax collector for the parish, to enter into agreements with any other public bodies located within Lincoln Parish for the collection of any sales and use taxes and hotel/motel taxes authorized by such other public bodies, beginning January 1, 1994. The operations of the Commission are under the direction of an administrator appointed by the six participating agencies. The appointment of the administrator can be revoked by a majority vote of the six agencies. The six agencies established the Commission composed of eight members, two from City of Ruston, Lincoln Parish School Board, and Lincoln Parish Police Jury, and one member each from City of Grambling, Town of Dubach, and Village of Choudrant.

The Commission has the authority and is empowered to collect, enforce and administer the respectable sales and use taxes and hotel/motel taxes of the various parties to this agreement. By mutual consent, these five authorities and the Ruston/Lincoln Convention and Visitors Bureau share in the costs of operation of the Commission and is subsequently reimbursed, on a monthly basis, by the City of Ruston, Lincoln Parish School Board, Lincoln Parish Police Jury, City of Grambling, Town of Dubach, and the Ruston/Lincoln Convention and Visitors Bureau for their prorata share each. The Commission generates no revenue, but is simply a conduit for revenues of the participating agencies.

In April 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In November 1984, GASB issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for the state and local government.

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Notes To Financial Statements**  
**June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Commission adopted the provisions of GASB Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Statement No. 34 established standards for external reporting for all state and local governmental entities. The Commission is a special-purpose government. It is considered a joint cooperative endeavor of the participating governmental units and, therefore, issues financial statements separate from the participants and their governmental components.

A. Fund Accounting

The accounts of the Commission are organized on a fund basis whereby a set of self-balancing accounts comprises its assets, liabilities, additions, distributions, and other disbursements, and other disbursements.

B. Basis of Accounting

Basis of accounting refers to when additions, distributions, and other disbursements are recognized in the accounts and reported in the financial statements and also to the timing of the measurements made, regardless of the measurement focus applied. The modified cash basis of accounting is followed by the Commission in recording additions, distributions, and other disbursements as follows:

Additions

Sales and use tax collections, interest earned on deposits, and other cash receipts are recorded in the month received by the Commission.

Distributions

Distributions are recorded in the month transferred to the recipient bodies with the exception of interest, which is accrued at year end and distributed in the first month of the next fiscal year.

Disbursements

Operating expenses, audit fees, refunds, and other cash disbursements are recorded in the month paid by the Commission.

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Notes To Financial Statements**  
**June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

For reporting purposes, cash represents interest bearing demand deposits. Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of any other state in the union, or the laws of the United States. Further, the Commission may invest in the deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principle offices in Louisiana.

D. Sales and Use Taxes – Distribution of Funds

Sales and use tax collections are distributed monthly based on the tax rates levied by each governmental body. At June 30, 2004, the following rates were in effect:

City of Ruston	1.75%
Lincoln Parish Police Jury	.75%
Lincoln Parish School Board	2.00%
City of Grambling	2.00%
Town of Dubach	1.00%
Village of Choudrant	1.25%

E. Capital Assets

Agency funds under GASB Statement No. 34 generally do not hold long-lived assets for use in operations, therefore they are not included on the Fiduciary Statement of Net Assets.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2004, the Commission's had cash and cash equivalents (book balances) as follows:

Interest-bearing demand deposits	<u>\$ 127,055</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the

**LINCOLN PARISH SALES AND USE TAX COMMISSION**  
**Notes To Financial Statements**  
**June 30, 2004**

pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 2004, are secured as follows:

Bank Balances	\$ <u>1,934,521</u>
Federal Deposit Insurance	\$ 100,000
Pledged Securities (Uncollateralized)	<u>1,941,397</u>
<b>TOTAL</b>	<b><u>\$2,041,397</u></b>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

**NOTE 3 - OPERATING EXPENSES**

The Commission's employees are covered under the Lincoln Parish Police Jury's benefit and retirement systems. As discussed in Note 1, the six participating agencies share the operating expenses of the Lincoln Parish Sales and Use Tax Commission on a pro rata basis. The operating expenses of the Commission for the 12 months ended June 30, 2004, were approximately \$198,740, which is approximately .67% of tax collections.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Lincoln Parish Sales and Use Tax Commission  
Ruston, Louisiana

We have audited the basic financial statements of Lincoln Parish Sales and Use Tax Commission (the Commission), Ruston, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Compliance**

As part of obtaining reasonable assurance about whether the Lincoln Parish Sales and Use Tax Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lincoln Parish Sales and Use Tax Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Commission, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Warren & Brewer CPAs APAC

October 29, 2004  
Ruston, Louisiana